



25 Sigourney Street
Hartford CT 06106-5032

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2005(29)

INFORMATIONAL PUBLICATION

**The Connecticut Neighborhood
Assistance Act Tax Credit Program**

Purpose: This Informational Publication explains the Connecticut Neighborhood Assistance Act Tax Credit Program.

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §12-630aa et. seq.

The Connecticut Neighborhood Assistance Act Tax Credit Program: The Connecticut Neighborhood Assistance Act (NAA) Tax Credit Program provides a tax credit to business firms that make cash investments in qualifying community programs conducted by tax exempt or municipal agencies. The community programs must be approved both by the municipality in which the programs are conducted and by the Department of Revenue Services (DRS).

Types of Community Programs That Qualify for the NAA Tax Credit Program: The types of community programs that qualify for the NAA Tax Credit program include, but are not limited to, energy conservation, employment and training, child care services, neighborhood assistance, substance abuse, donation of money to an open space acquisition fund, crime prevention activities and construction or rehabilitation of dwelling units for families of low or moderate income in Connecticut.

Claiming the Tax Credit: Business firms that make cash investments in qualified community programs may claim the tax credit. The term *business firm* is defined as:

- Any business entity authorized to do business in Connecticut and;
- Subject to the corporation business tax under Chapter 208;

- Any insurance company, hospital or medical services corporation subject to the insurance companies, hospital and medical services corporations tax under Chapter 207;
- Any air carrier subject to the air carriers tax under Chapter 209;
- Any railroad company subject to the railroad companies tax under Chapter 210;
- Any express, telegraph, telephone, cable, car or community antenna television company subject to the express, telegraph, telephone, cable, car and community antenna television companies tax under Chapter 211;
- Any utility company subject to the utility companies tax under Chapter 212; **or**
- Any public service company subject to the public service companies tax under Chapter 212a.

Obtaining Approval for the NAA Tax Credit Program: Tax Exempt Entities and Municipal Agencies desiring to obtain benefits under the NAA must complete **Form NAA-01, Connecticut Neighborhood Assistance Act Program Proposal**, Parts I, II, and III and submit the form to the municipal agency overseeing the implementation of the proposal. The overseeing municipal agency then completes Part IV of **Form NAA-01** and submits the form to DRS on or before **July 1** of each year. Prior to submitting **Form NAA-01** to DRS, each municipality must hold a public hearing on all program applications. The governing body of the municipality must vote to approve the programs. Copies of the public hearing notice and minutes of the meeting approving the programs must be submitted by the municipality with the program proposals on or before July 1 of each year.

Limits on the Amount of Contributions that May be Made or on the Amount of Tax Credit Available to a Business Firm: The program has several statutory limits which must be observed, including the following:

- A business firm is limited to receiving \$75,000 in tax credit annually.
- A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate.
- The total charitable contributions of the contributing business firm must equal or exceed its prior year's amount. (Unless the contribution is to an approved open space acquisition fund.)
- The minimum contribution on which credit can be granted is \$250.
- The program has a \$5 million cap which if exceeded, results in proration of approved donations.

Qualifying for the Tax Credit: Business Firms that wish to make a cash contribution to a qualified community program can obtain a list of approved programs by September 1 of each year. The business firms are required to complete **Form NAA-02, Neighborhood Assistance Act Business Application**, and mail or hand deliver the form to DRS between **September 15** and **October 1** of each year. (No facsimiles are accepted.)

Computing the Tax Credit: The available tax credit is equal to 60% of the amount contributed to qualifying programs. Note that the total charitable contributions of the contributing business firm must equal or exceed its prior year's charitable contributions in order to be eligible for the tax credit. (Unless the contribution is to an approved open space acquisition fund.)

Claiming the Tax Credit: DRS issues an NAA program approval letter to business firms that make investments in qualified community programs. The letter indicates the tax credit amount that may be claimed on the applicable business tax return. The credit amount must also be entered on **Form CT-1120K, Business Tax Credit Summary**.

Limitations on the Carryforward or Carryback of the Tax Credit: The amount of tax credit that is not taken on the tax return of a business for the income year beginning during the calendar year in which the program proposal was approved may only be carried back to the two immediately preceding income years (beginning with the earlier of such years).

Obtaining Additional Information: Direct Inquiries to:

Department of Revenue Services
Neighborhood Assistance Act Program
Attn: Research Unit
25 Sigourney Street
Hartford, CT 06106

860-297-5687

Effect on Other Documents: IP 99(14) is superseded, and may not be relied upon after the date of issuance of this publication.

Effect of This Document: An Informational Publication issued by DRS addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

Related Forms and Publications: Request the most recent edition of the following forms: **Form NAA-01, Neighborhood Assistance Act Program Proposal**, and **Form NAA-02, Neighborhood Assistance Act Business Application**.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at www.ct.gov/DRS to download and print Connecticut tax forms; **or**
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS Web site at www.ct.gov/DRS and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

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